

# COMPARE: The First Rule of Smart Shopping

## A Mini-Unit for:

high school teachers  
adult and community educators  
and individual consumers, including students



This unit includes learning objectives, background information, a decision making activity, discussion questions, and additional sources of information.

## OBJECTIVES

Learners will:

- ◆ identify comparison shopping principles and techniques.
- ◆ explain differences between service contracts and warranties.
- ◆ discuss factors to consider in selecting communications services and providers.
- ◆ use a decision-making grid when comparing consumer products and services.

## Not So Savvy Shoppers

How do you know which product or service is right for you? Everyone plays the buying game, but not everybody plays well. In fact, some consumers don't know the rules of the game.

Surveys about consumer behavior conducted for AT&T Consumer Affairs in 1995 show that many consumers don't have the knowledge needed to be savvy shoppers. In five of the six questions designed to measure actual knowledge of consumer rights, more people gave incorrect answers than gave correct answers. Almost three-quarters of respondents mistakenly believe that money cannot be withdrawn from a bank account without written authorization from the account owner.

More than half of the respondents incorrectly believe that:

- ◆ Claims made by companies in TV and newspaper ads must be accurate.  
(FALSE)
- ◆ Consumers have a three day period in which to cancel any purchase.  
(FALSE)
- ◆ A person's credit history is private unless permission is given to make it public.  
(FALSE)
- ◆ Consumers have a right to a full refund for any product that is defective.  
(FALSE)

Consumers can learn how to be savvy shoppers. They can learn how to distinguish between needs and wants, use effective and reliable consumer information, understand advertising, and make careful decisions. It all takes time, skill, and experience.

## Super Detectives Find the Real Deals

Before you go shopping, be a super detective to find the real deals. Here are some clues to use in your search.

- ◆ **Distinguish between needs and wants.**
- ◆ **Discuss household needs and wants with family members.** This discussion should help you reach agreement when making decisions about spending for needs and/or wants.
- ◆ **Gather information about products or services before shopping.** Information may be available from people who have used the product or service, the local library, on-line consumer information, product-rating magazines, money-management magazines and books, and government agency publications. Armed with this knowledge, you can shop by telephone to compare prices, models, and features.
- ◆ **Ask about the store or company's return and refund policies and complaint procedures.** In most cases, a retailer or manufacturer is not required by law to make refunds or exchanges unless the merchandise is defective or was sold through deceptive means. Review available return and refund procedures at the time of purchase so they can be followed if there is a problem with the product. Knowing the appropriate procedure and how to effectively voice your concerns increases the chance of redress of customer problems.
- ◆ **Find out about the warranty.** Manufacturers are not required to offer a written warranty. If they do, it must comply with the Magnuson-Moss Warranty Act. Read the warranty carefully to determine what specific protections it provides.

- ◆ **Use the same care in choosing a service as when deciding on a major product purchase.** Performance, convenience, and style may be as important as cost in choosing a service. Ask about extra charges and fees from several service providers.

## Advertising -- Not Always What You Think

- ◆ Separate facts from fantasy in advertisements.
- ◆ Check product and service claims with product-rating magazines and organizations such as the Better Business Bureau.
- ◆ Read the fine print. "The bold print giveth and the fine print taketh away."
- ◆ Ask yourself what additional information you need that is not in the ad.
- ◆ Be aware of advertising gimmicks that are sometimes used to motivate you to buy. Examples include celebrity testimonials, clever animation, music, and fantasy.

## Winning the Buying Game

- ◆ **Control impulse buying.** Several techniques can help reduce impulse buying. Be aware that carrying credit cards may encourage impulse purchases. Chill out -- think before you buy. Ask yourself what you are giving up in the future in order to buy this item now.
- ◆ **Do not pay extra for a brand name.** Generic products are usually less expensive than nationally assigned advertised brands. The sale price for a name brand is often about the same as the regular price of a less prestigious brand.
- ◆ **Pay attention to sales.** Don't buy just because something is on sale. Anticipate reduced prices on products and services, such as pre-season specials and end-of-season clearance sales. Buy an item in large quantity if you will use it all within a reasonable time.
- ◆ **Buy smart to be smart.** Read labels and hang-tags carefully. Get a demonstration of the item or service from a friend or salesperson. Compare the actual product to the picture on the package.

# Service Contracts and Warranties

## Service Contracts

A service contract is a maintenance agreement between the seller and the buyer to provide free or nearly free repair services to covered components for a specified cost and period of time. Service contracts are rarely used and it is almost always unwise to buy them.

## Warranties

A warranty or guarantee is an assurance by the seller that the product or service will perform as represented and be free of hidden defects or limitations. These protections are provided in either unwritten (implied) or written (express) warranties.

**Implied Warranties.** Virtually all products have implied (unwritten) warranties because they are required by state law. The only time this type of warranty does not apply is when the seller states in writing that the product is sold "as is" or specifically states in writing that there is no implied warranty.

**Express Warranties.** Manufacturers are NOT required to provide an express (written) warranty with products. However, if they do offer a warranty and the product costs \$15 or more, it must comply with the Magnuson-Moss Warranty Act. This federal law classifies warranties as either full or limited.

**Full Warranty.** A full warranty complies with all of the following requirements of the Magnuson-Moss Warranty Act:

- ◆ Product will be repaired at no cost to the buyer within a reasonable time when the product malfunctions, fails to conform to the warranty or has a defect.
- ◆ Owner will not have to undertake any unreasonable task to return the product for repair, such as transporting a large appliance.
- ◆ If the product cannot be repaired after a reasonable number of attempts, the consumer can choose a refund or replacement without charge.
- ◆ Warranty coverage transfers to a new owner if product changes hands during the warranty period.
- ◆ No limit can be placed on the duration of the implied warranties.

**Limited Warranty.** A limited warranty does not fulfill one or more of the full warranty requirements. For instance, a vehicle manufacturer may specify only certain systems are covered under the warranty or an appliance warranty may include parts but no labor.

**See our Mini-Lesson on Where to Go for Auto Service at**

[http://www.dfi.state.in.us/conscredit/MiniLessons/where\\_to\\_go\\_for\\_auto\\_service.htm](http://www.dfi.state.in.us/conscredit/MiniLessons/where_to_go_for_auto_service.htm).

## Communication Services and Providers

Rapid changes in communications services require consumers to gather information and make decisions as they choose among long distance companies, cellular and paging services, and online services.

### Long Distance Service

When comparing providers, determine which companies have all the services you need, such as calling cards and discount plans. When comparing prices, make sure to compare "apples to apples"

To avoid unauthorized switching of your long-distance company, call 700-555-4141 (toll-free) for a computerized message identifying the long-distance company for that telephone. Instruct your local phone company to freeze your long-distance service to the carrier of your choice.

### Calling Card Calls

Many different companies offer service from public phones and those in hotel, hospital and college dorm rooms. Each company sets its own rates. The best way to make sure you reach your long distance company and get any discounts is to use that company's toll-free 800 access number.

### Local Toll Calls

Local toll calls are those made within your regional calling area. The charges are itemized in the local section of your telephone bill. In most localities, both the local phone company and the long distance companies can handle local toll calls. Check with local and long distance companies to see if their calling plans include local toll calls among the services discounted.

### Cellular and Paging Services

Cellular service usually is sold in packages offering a set amount of local and/or long distance calling for a fixed monthly fee. Usually several cellular companies offer service, so shop for the package that best suits your needs. Pager services are sometimes included in discount programs for other communications services, such as cellular, long distance or local services.

### On-Line Services

For each on-line service, get answers to the following questions:

- ◆ How many hours of service is included in the basic monthly fee? What is the cost for additional hours beyond the service package?

- ◆ What software is included? Will I need additional software?
- ◆ Can the service be accessed using a local, non-toll telephone number?
- ◆ Is there a control feature to prevent children's access to selected areas of the Internet?

# DECISION GRID

A Decision Grid can be an effective tool when choosing products and services. It helps you identify factors to consider and determine how important each factor is to you. A Decision Grid also helps identify realistic alternatives.

The following Decision Grid illustrates the process of answering the question, "Which long distance telephone service is best for me?"

DECISION GRID			
Which Long Distance Telephone Service is Best for Me?			
Telephone Service A			
FACTORS	RANK	RATING	SCORE
COST			
CALLING PLAN			
DISCOUNT PLAN			
CALLING CARD			
SERVICE			
TOTAL			

Telephone Service B

FACTORS	RANK	RATING	SCORE
COST			
CALLING PLAN			
DISCOUNT PLAN			
CALLING CARD			
SERVICE			
TOTAL			

Telephone Service C

FACTORS	RANK	RATING	SCORE
COST			
CALLING PLAN			
DISCOUNT PLAN			
CALLING CARD			
SERVICE			
TOTAL			

## Directions:

1. List two or more realistic alternatives in the boxes across top of grid.
2. List factors that are important to making this decision in the Factors Boxes down the left side of grid. (Modify the given factors and add your own.)
3. Rank Column. Rank each factor by its importance to you. Use a 1-10 scale, with 10 being most important.
4. Support Rating Column. Decide to what extent each alternative supports each factor. Use a 1-10 scale, with 10 being the most supportive.
5. Score Column. Multiply the Rank by the Rating for each factor. Record the score for each factor. (Rank x Rating = Score) Repeat for each alternative.
6. Total the numbers in the Score column for each alternative. The alternative with the highest score is likely to be your best choice.



# DISCUSSION QUESTIONS AND TOPICS

1. What smart shopping techniques have you found to be helpful?
2. How can consumers benefit from careful, deliberate consumer decision making?
3. Discuss the statement, "A full warranty is always better than a limited or implied warranty."
4. When choosing a telephone long distance service company, a local phone company, cellular or paging services, and on-line services, what are the major factors to consider?

# ACTIVITY

Using the Decision Grid as a model, create your own grid using a question of your choice. Sample communication services decision questions include:

1. Which company do I want to provide my local toll service?
2. Which company do I want to provide my long distance service?
3. How can I tell if cellular or paging services are right for me, and what is a good deal?
4. How do I know which on-line service to use?

Give the following **Comparison Shopping Quiz** to your students.

Give students a copy of our **Brochures**.

# COMPARISON SHOPPING QUIZ

1. Wise shoppers take time to compare two or three alternatives before spending money.

- ☐ True
- ☐ False

2. Taking time to read newspaper ads can help save money when shopping.

- ☐ True
- ☐ False

3. We can look at advertisements and learn how they make us want an item.

- ☐ True
- ☐ False

4. My needs should take priority over my wants when shopping.

- ☐ True
- ☐ False

5. Television commercials for food products are always factual.

- ☐ True
- ☐ False

6. Television ads influence spending decisions by:

- ☐ using special music
- ☐ using pretty pictures
- ☐ making me think I need the item
- ☐ All of the above

7. A spending need is:

- ☐ something that looks good to me
- ☐ something that I need to exist
- ☐ something my friend has
- ☐ the first thing I see in the store

8. The best spending choice is:

- ☐ always shop at brand-name stores
- ☐ buy the same things my friends buy
- ☐ compare my choices before I buy
- ☐ always borrow from friends

# COMPARISON SHOPPING QUIZ

## ANSWERS

1. Wise shoppers take time to compare two or three alternatives before spending money.

☐ True

2. Taking time to read newspaper ads can help save money when shopping.

☐ True

3. We can look at advertisements and learn how they make us want an item.

☐ True

4. My needs should take priority over my wants when shopping.

☐ True

5. Television commercials for food products are always factual.

☐ False

6. Television ads influence spending decisions by:

☐ All of the above

7. A spending need is:

☐ something that I need to exist

8. The best spending choice is:

☐ compare my choices before I buy

## Sources of Additional Information

***How Do I Choose?*** AT&T Consumer Affairs, 295 N. Maple Ave., Basking Ridge, NJ 07940.

***Ways to Save Money.*** Indiana Department of Financial Institutions Web Site and for a brochure; Save Money, Pueblo, CO 81009, or Consumer Federation of America, 1424 16th Street, NW, Suite 604, Washington, DC 20036. Web Site: <http://www.dfi.state.in.us/conscredit/waysave.htm>.

Cyber Shopping at <http://www.dfi.state.in.us/conscredit/Cybersh.html>.

**Economic Education Web Site:** <http://ecedweb.unomaha.edu>.

***Tips for Telephone Shopping.*** Direct Marketing Association, 11 West 42nd Street, P.O. Box 3861, New York, NY 10163.

**Federal Trade Commission** at <http://ftc.gov> publications available from the Bureau of Consumer Protection, Office of Consumer & Business Education, 6th & Pennsylvania Avenue, NW, Washington, DC 20580. (202) 326-3650:

- Care Labels
- Green Advertising Claims
- Grocery Store Rain Checks
- Layaway Purchase Plans
- Make Knowledge Your Partner in Mail or Telephone Shopping (1994).
- New Car Buying Guide.
- Service Contracts
- Shopping by Phone or Mail
- The Cooling-Off Rule
- The Real Deal (
- Toy Ads on TV
- Warranties

***Shopping for a SAFER CAR.*** Insurance Institute for Highway Safety. 1005 N. Glebe Rd., Arlington, VA 22201, (703) 247-1500.

***Product Seals: What They Really Mean.*** (June 1991). Changing Times, pages 63-66.

Buying a car? You also may be encouraged to buy an auto service contract to help protect against unexpected, costly repairs. While it may sound like a good idea, don't buy in until you understand both the terms of the contract and who is responsible for providing the coverage.

A service contract is a promise to perform (or pay for) certain repairs or services. Sometimes called an "extended warranty," a service contract is not a warranty as defined by federal law. A service contract may be arranged at any time and always costs extra; a warranty comes with a new car and is included in the original price.

The separate and additional cost distinguishes a service contract from a warranty.

## THE TERMS – COST - COVERAGE

Before deciding whether to buy an auto service contract, ask these questions:

### Does the service contract duplicate any warranty coverage?

Compare service contracts with the manufacturer's warranty before you buy. New cars come with a manufacturer's warranty, which usually offers coverage for at least one year or 12,000 miles, whichever comes first. Even used cars may come with some type of coverage.

You may decide to buy a "demonstrator" model — a car that has never been sold to a retail customer but has been driven for purposes other than test drives. If so, **ask when warranty coverage begins and ends. Does it date from when you purchase the car or when the dealer first put the car into service?**

### Who backs the service contract?

Ask who performs or pays for repairs under the terms of the service contract. It may be the manufacturer, the dealer, or an independent company.

Find out if the auto service contract is underwritten by an insurance company. In some states, this is required. If the contract is backed by an insurance company, contact your State Insurance Commission to ask about the solvency of the company and whether any complaints have been filed.

### How much does the auto service contract cost?

Usually, the price of the service contract is based on the car make, model, condition (new or used), coverage, and length of contract. The upfront cost can range from several hundred dollars to more than \$1,000.

In addition to the initial charge, you may need to pay a deductible each time your car is serviced or repaired. Under some service contracts, you pay one charge per visit for repairs — no matter how many. Other contracts require a deductible for each unrelated repair.

You also may need to pay transfer or cancellation fees if you sell your car or end the contract. Often, contracts limit the amount paid for towing or related rental car expenses.

### What is covered and not covered?

Few auto service contracts cover all repairs. Indeed, common repairs for parts like brakes and clutches generally are not included in service contracts.

If an item isn't listed, assume it's not covered.

Watch out for absolute exclusions that deny coverage for any reason. For example: If a covered part is damaged by a non-covered component, the claim may be denied. If the contract specified that only "mechanical breakdowns" will be covered; problems caused by "normal wear and tear" may be excluded.

### How are claims handled?

When your car needs to be repaired or serviced, you may be able to choose among several service dealers or authorized repair centers. Or, you may be required to return the vehicle to the selling dealer for service. That could be inconvenient if you bought the car from a dealership in another town.

Find out if your car will be covered if it breaks down while you're using it on a trip or if you take it when you move out of town. Some auto service contract companies and dealers offer service only in specific geographical areas.

Find out if you need prior authorization from the contract provider for any repair work or towing services. Be sure to ask how long it takes to get authorization; whether you can get authorization outside of normal business hours; and

whether the company has a toll-free number for authorization.

You may have to pay for covered repairs and then wait for the service company to reimburse you. If the auto service contract doesn't specify how long reimbursement usually takes, ask. Find out who settles claims in case you have a dispute with the service contract provider and need to use a dispute resolution program.

### What are your responsibilities?

Under the contract, you may have to follow all the manufacturer's recommendations for routine maintenance, such as oil and spark plug changes. Failure to do so could void the contract. To prove you have maintained the car properly, keep detailed records, including receipts.

Find out if the contract prohibits you from taking the car to an independent station for routine maintenance or performing the work yourself. The contract may specify that the selling dealer is the only authorized facility for servicing the car.

### What is the length of the service contract?

If the service contract lasts longer than you expect to own the car, find out if it can be transferred when you sell the car, whether there's a fee, or if a shorter contract is available.

## USED CARS: WARRANTY PROTECTION

When shopping for a used car, look for a Buyer's Guide sticker posted on the car's side window. This sticker is required by the Federal Trade Commission on all used cars sold by dealers. It tells whether a service contract is available. It also indicates whether the vehicle is being sold with a warranty, with implied warranties only, or "as is."

**Warranty...** If the manufacturer's warranty is still in effect on the used car, you may have to pay a fee to obtain coverage, making it a service contract. However, if the dealer absorbs the cost of the manufacturer's fee, the coverage is considered a warranty.

**Implied Warranties Only...** There are two common types of implied warranties. Both are unspoken and unwritten and based on the principle that the seller stands behind the product. Under a "warranty of merchantability," the seller promises the product will do what it is supposed to do. For example, a toaster will toast, a car will run. If the car doesn't

run, implied-warranties law says that the dealer must fix it (unless it was sold "as is") so that the buyer gets a working car. A "warranty of fitness for a particular purpose" applies when you buy a vehicle on a dealer's advice that it is suitable for a certain use, like hauling a trailer. Used cars usually are covered by implied warranties under state law.

**As Is - No Warranty...** If you buy a car "as is," you must pay for all repairs, even if the car breaks down on the way home from the dealership. However, if you buy a dealer-service contract within 90 days of buying the used car, state law "implied warranties" may give you additional rights.

Some states prohibit "as is" sales on most or all used cars. Other states require the use of specific words to disclaim implied warranties. In addition, some states have used car "lemon laws" under which a consumer can receive a refund or replacement if the vehicle is seriously defective. To find out about your state laws, check with your local or state consumer protection office or attorney general.

## OTHER TIPS

If you're told you must purchase an auto service contract to qualify for financing, contact the lender yourself to find out if this is true. Some consumers have had trouble canceling their service contract after discovering the lender didn't require one.

If you decide to buy a service contract through a car dealership — and the contract is backed by an administrator and/or a third party — make sure the dealer forwards your payment and gives you written confirmation. Some consumers have discovered too late that the dealer failed to forward their payment, leaving them with no coverage months after they signed a contract. Contact your local or state consumer protection office if you have reason to believe that your contract wasn't put into effect as agreed.

## COMPLAINTS

To report contract problems with a service provider, contact your local and state consumer protection agencies, including the state insurance commissioner and state attorney general. If you need help resolving a dispute, contact the Better Business Bureau, the state attorney general, or the consumer protection office in your area. Also, contact law schools in your area and ask if they have dispute resolution programs.

You also can contact the Federal Trade Commission. Write: Consumer Response Center, Federal Trade Commission, Washington, DC 20580. Although the FTC generally does not intervene in individual disputes, the information you provide may indicate a pattern of possible law violations requiring action by the Commission.



The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

- Answers to Credit Problems
- Applying for Credit
- At Home Shopping Rights
- Bankruptcy Facts
- Buried in Debt
- Car Financing Scams
- Charge Card Fraud
- Choosing A Credit Card
- Co-Signing
- Credit and Divorce
- Credit and Older Consumers
- Deep in Debt?
- Equal Credit Opportunity
- Fair Credit Reporting
- Fair Debt Collection
- Gold Cards
- Hang up on Fraud
- High Rate Mortgages
- Home Equity Credit Lines
- How to Avoid Bankruptcy
- Indiana Uniform Consumer Credit Code
- Look Before you Lease
- Mortgage Loans
- Repossession
- Reverse Mortgage Loans
- Rule of 78s – What is it?
- Scoring for Credit
- Shopping for Credit
- Using Credit Cards
- Variable Rate Credit
- What is a Budget?
- What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.

# AUTO SERVICE CONTRACTS



## DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division  
402 West Washington Street, Room W066  
Indianapolis, Indiana 46204  
317-232-3955  
1-800-382-4880  
Web Site <http://www.dfi.state.in.us>



## FAST FACTS

- ◆ A utility is generally a credit account. You get service now and pay for it later.
- ◆ Utility credit discrimination is illegal under the Equal Credit Opportunity Act.
- ◆ The utility company generally can require a deposit if you have a bad utility credit history or if you are a new customer. Usually all new customers are required to pay deposits.
- ◆ Whenever you are denied credit - including utility credit - you have the right to know the specific reason.

## GETTING UTILITY CREDIT

A utility account is generally a credit account. You get service now and pay for it later. Like any other creditor, a utility company keeps a record of your payment patterns. This record is your utility credit history.

Utility credit discrimination is illegal under the Equal Credit Opportunity Act (ECOA). The ECOA forbids discrimination based on your sex, marital status, race, national origin, religion, age, or because you receive public assistance income. The ECOA also contains specific rules that utility companies and other creditors must follow when evaluating their customers' credit histories.

Utility companies frequently require customers to make a deposit or to get a letter of guarantee from someone who will agree to pay the bill if the customer does not. Under the law, requiring a deposit or letter of guarantee can be the same thing as denying

credit or offering credit on less favorable terms.

## PAYING A DEPOSIT

The utility company generally can require a deposit if you have a bad utility credit history and if you are a new customer and all new customers are required to pay deposits, or for other non-discriminatory reasons.

For example, the utility company might ask you to pay a deposit if there is no record of your name on your husband's account. But if you had previous service in your husband's name, the company must consider that credit history as yours. If you shared a credit history, it might be unlawful to require you to pay a deposit if your husband got credit without paying a deposit.

## CHALLENGING A BAD CREDIT HISTORY

But there is another side of the coin. If your husband's credit history on a shared account was bad, the company will consider that credit history yours as well and might ask you to pay a deposit or get a letter of guarantee.

The ECOA gives you the opportunity to prove that your husband's bad credit history did not reflect your unwillingness or inability to pay.

For example, if you can prove that you did not live with your husband when the account was overdue, the company must take that into consideration. If you never saw the bills, or paid them as soon as you discovered they were overdue—that also must be considered.

Usually your spouse's utility credit history can only be considered if your spouse lived with you or benefited from using your account. However, if you live in a community property

state (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington), the utility company can consider information about your spouse even if you were not living together and did not share the account.

If you cannot convince the company, you may have to pay a deposit or get a letter of guarantee. Or, you may be asked to pay your husband's old debts before your service is connected. In the latter case, the company's right to take such action is governed by state law, not the ECOA. If this happens, contact your local consumer office for more information.

## GETTING THE REASON IN WRITING

Whenever you are denied credit or offered less than favorable credit terms that you do not want to accept – including utility credit – you have the right to know the specific reason. If this happens, request the reason in writing.

## GETTING MORE INFORMATION

You may want to get more detailed information about the ECOA and other credit rights. See our Department's brochures: Equal Credit Opportunity, Fair Credit Reporting, Credit and Older Consumers, and Women and Credit Histories,

You also may wish to contact the Federal Trade Commission (FTC) if you have a complaint. Although the FTC cannot represent you directly in a dispute with a company, it can act when it sees a pattern of possible law violation. Write to: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580.

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Division of Consumer Credit has many other credit  
related brochures available, such as:

Answers to Credit Problems  
Applying for Credit  
At Home Shopping Rights  
Bankruptcy Facts  
Buried in Debt  
Car Financing Scams  
Charge Card Fraud  
Choosing A Credit Card  
Co-Signing  
Credit and Divorce  
Credit and Older Consumers  
Deep in Debt?  
Equal Credit Opportunity  
Fair Credit Reporting  
Fair Debt Collection  
Gold Cards  
Hang up on Fraud  
High Rate Mortgages  
Home Equity Credit Lines  
How to Avoid Bankruptcy  
Indiana Uniform Consumer Credit Code  
Look Before you Lease  
Mortgage Loans  
Repossession  
Reverse Mortgage Loans  
Rule of 78s – What is it?  
Scoring for Credit  
Shopping for Credit  
Using Credit Cards  
Variable Rate Credit  
What is a Budget?  
What is the DFI?

Call our toll-free number or write to the address on the  
cover for a copy of any of the brochures listed or for  
further consumer credit information. You can also  
access information at our web site on the Internet:  
<http://www.dfi.state.in.us>, then click on Consumer  
Credit.



# Utility Credit



## DEPARTMENT OF FINANCIAL INSTITUTIONS

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Web Site <http://www.dfi.state.in.us>



## PROTECTING YOURSELF WHEN BUYING ONLINE

With a few key strokes and the click of a mouse you can shop at home from your computer. Sounds great, right? No traffic. No parking problems. No lines or crowds. No hassles with the weather.

Online shopping can give new meaning to convenience and choice. But before you visit your favorite boutique on the Net, take care to make your cyber-shopping experience safe.

### THE BASICS

Think security, starting with your connection -- the way your computer connects through telephone wires to contact the Internet -- and your browser -- the software that acts like a telephone to receive information on the Internet.

Unsecured information sent over the Internet can be intercepted. That's why you should consider a secure browser, which will encrypt or scramble purchase information. Use a secure browser that complies with industry standards, such as Secure Sockets Layer (SSL) or Secure Hypertext Transfer Protocol (S-HTTP). These often are included with Internet connection services. The credit and charge card industry is working on an enhanced level of security using Secured Electronic Transactions (SET). SET protocol provides a highly encrypted communication between card issuers, merchants and card members.

If you don't have encryption software to assure the security of your transaction, consider calling the company's 800 number, faxing your order, or paying by check or money order.

Shop with companies you know. If you'd like to try a new merchant, ask for a paper catalog or brochure to get a better idea of their merchandise and services. Determine the company's refund and return policies before you place an order.

### Never give out your Internet password.

Be original when creating your password(s). Consider using a combination of numbers, letters, and symbols, or use a phrase to remember it. For example: UR2G\$48\* -- "You are to give money for eight stars."

Avoid using established numbers for your password, such as your house number, birth date, or a portion of your telephone

or Social Security numbers. It's a good idea to use different passwords to access specific areas on the Internet, such as the World Wide Web.

Be cautious if you're asked to supply personal information to conduct a transaction, such as your Social Security number. It's rarely necessary and should raise a red flag. The Internet provides a valuable information service for consumers. But some con artists who have used telemarketing, infomercials, newspapers, magazines, and the mail to attract consumers are turning to the Internet and online services to promote their scams.

Pay close attention to the information you're entering when you place an order. For example, an additional keystroke could get you 10 shirts when you wanted only one. Check to make sure the shipping charge is acceptable to you and all charges are calculated correctly.

Make a note of the company's shipping time. If you need the merchandise earlier, ask if your order can be "expressed" for an additional fee.

The same laws that protect you when you shop by phone or mail apply when you shop in cyberspace: Under the law, a company should ship your order within the time stated in its ads. If no time is promised, the company should ship your order within 30 days after receiving it, or give you an "option notice." This notice gives you the choice of agreeing to the delay or canceling your order and receiving a prompt refund. There is one exception to the 30-day rule. If a company doesn't promise a shipping time, and you are applying for credit to pay for your purchase, the company has 50 days after receiving your order to ship.

Should you decide to pay by credit or charge card, your transaction will be protected by the Fair Credit Billing Act. Some cards may provide additional warranty or purchase protection benefits. If you're not comfortable entering your credit or charge card account number, call it into the company's 800 number, or fax it.

Print out a copy of your order and confirmation number for your records.

### The Fair Credit Billing Act

Whether you're buying online, by phone, mail, or in person at a store, using your credit or charge card to pay offers some protections.

### Errors...

If you find a billing error on your monthly credit or charge card statement, you may dispute the charge and withhold payment in that amount while the error is in dispute. The error might be a charge for the wrong amount, for something you didn't accept, or for something that wasn't delivered as agreed.

### To Dispute a Charge...

◆Write to the creditor at the special address indicated on the monthly statement for "billing inquiries." Include your name, address, and credit or charge card number, and describe the billing error.

◆Send your letter as soon as possible. It must reach the creditor within 60 days after the first bill containing the error was mailed to you.

The creditor must acknowledge your complaint in writing within 30 days of receiving it, unless the problem has already been resolved. The creditor must resolve the dispute within two complete billing cycles -- but not more than 90 days -- after receiving your letter.

### Unauthorized Charges...

If your credit or charge card is used without your authorization, you can be held liable for up to \$50 per account. If you report the loss of your card before it is used, you are not liable for any unauthorized charges. See our Brochure on Fair Credit Billing.

### FOR MORE INFORMATION

The Federal Trade Commission (FTC) publishes brochures on topics such as: automobiles, credit, products and services, and telemarketing. You can contact the FTC at: Consumer Response Center, Federal Trade Commission, Washington, D.C. 20580, 202-326-2222, TDD: 202-326-2502, <http://www.ftc.gov>.



The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

- Answers to Credit Problems
- Applying for Credit
- At Home Shopping Rights
- Bankruptcy Facts
- Buried in Debt
- Car Financing Scams
- Charge Card Fraud
- Choosing A Credit Card
- Co-Signing
- Credit and Divorce
- Credit and Older Consumers
- Deep in Debt?
- Equal Credit Opportunity
- Fair Credit Reporting
- Fair Debt Collection
- Gold Cards
- Hang up on Fraud
- High Rate Mortgages
- Home Equity Credit Lines
- How to Avoid Bankruptcy
- Indiana Uniform Consumer Credit Code
- Look Before you Lease
- Mortgage Loans
- Repossession
- Reverse Mortgage Loans
- Rule of 78s – What is it?
- Scoring for Credit
- Shopping for Credit
- Using Credit Cards
- Variable Rate Credit
- What is a Budget?
- What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.



# CYBER-SHOPPING



## DEPARTMENT OF FINANCIAL INSTITUTIONS

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